

Message Text

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3714

C O N F I D E N T I A L HONG KONG 1253

STADIS////////////////////////////////////

FOR ASSISTANT SECRETARY HABIB FROM CROSS

E.O. 11652: GDS

TAGS: ETRD HK US

SUBJ: GSP --- HONG KONG

1. WHILE I REALIZE THAT YOU FACE CONSIDERABLE OPPOSITION FROM ORGANIZED LABOR, AS WELL AS FROM THE DEPARTMENTS OF COMMERCE AND LABOR, I WOULD URGE THAT THE DEPARTMENT DO EVERYTHING POSSIBLE TO SECURE THE INCLUSION OF HONG KONG IN THE LIST OF ELIGIBLE BENEFICIARIES OF GENERALIZED PREFERENCES.

2.I AM RELIABLY INFORMED THAT THE UK EMBASSY (HERMANN) WILL BE PRESENTING THE HONG KONG CASE IN WASHINGTON LATER THIS WEEK. I DO NOT WISH TO REHASH THEIR PROBABLE LINE OF ARGUMENTATION, BUT I WOULD LIKE TO UNDERLINE SOME CONSIDERATIONS THAT SEEM IMPORTANT FOR USG POLICY HERE:

A. EQUITY: I AM TOLD THAT THE INCLUSION OF SINGAPORE IS A VITURAL CERTAINTLY. THE CASES FOR KOREA AND TAIWAN SEEM CLEAR ENOUGH, BUT THE ECONOMIES OF HONG KONG AND SINGAPORE ARE SO CLOSELY PARALLEL (IN FACT, BY MOST INDICATORS, SINGAPORE IS PATENTLY BETTER OFF) THAT TO INCLUDE SINGAPORE WHILE EXCLUDING HONG KONG WOULD INDICATE THAT WE, AS A GOVERNMENT, HAVE NO CLEAR-CUT
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CRITERIA FOR INCLUSION.

B. BURDEN SHARING: HONG KONG IS INCLUDED IN SEVERAL PREFERENCE SCHEMES, THE MORE IMPORTANT BEING THOSE OF THE EC AND JAPAN. THE FACT THAT WE TRADITIONALLY HAVE ABSORBED OVER 30 PERCENT OF HONG KONG'S EXPORTS WILL NOT GO UNNOTICED BY THESE TRADING PARTNERS, AND WE CAN ANTICIPATE FLAK FOR NOT PULLING OUR FAIR SHARE.

C. EXPORT DIVERSIFICATION: WE HAVE BEEN PREACHING TO HONG KONG NOT ONLY DIVERSIFICATION OF MARKETS BUT OF PRODUCT LINES AS WELL. THIS IS ALSO EMBODIED IN THE PARA. HONG KONG'S TRADITIONAL EXPORTS TO US WHICH WE DEEM TO BE IMPORT-SENSITIVE ARE EXCLUDED FROM GSP. INCLUSION WOULD, THUS, SPUR NEW PRODUCT LINES RATHER THAN EXPORTS IN GENERAL. EXCLUSION WILL NOT ONLY REMOVE THIS STIMULANT BUT, BY ENCOURAGING TRADE DIVERSION, WILL FORCE HONG KONG WILLY-NILLY TO PLAY THE ROLE OF AID DONOR.

D. DRUG ENFORCEMENT: HKG HAS ALLOCATED IMPORTANT RESOURCES TO PREVENTING DRUG IMPORTS AND TRANSSHIPMENTS. THERE IS NOT DOUBT IN MY MIND THAT REMAINING IN OUR GOOD GRACES FOR ELIGIBILITY PURPOSES HAS BEEN AN IMPORTANT CONSIDERATION IN THIS PROGRAM. EVEN THOUGH DRUG ENFORCEMENT IS PRESUMABLY A GOOD THING FOR HONG KONG, I WOULD HESITATE TO REMOVE AN IMPORTANT SOURCE OF MOTIVATION.

E. PRC ANGLE: ONE ASPECT WE SHOULD NOT OVERLOOK IS THE FACT THAT THE PRC IS GOING OUT OF ITS WAY TO SPARE THE HKG ANY POLITICAL PROBLEMS IN ITS CURRENT ECONOMIC PLIGHT. UNIONS AND OTHER ORGANIZATIONS UNDER PEKING'S CONTROL ARE NOT ONLY REFRAINING FROM MAKING POLITICAL CAPITAL OUT OF HKG PROBLEMS BUT ARE ACTIVELY SUPPRESSING WAGE DEMANDS, DESPITE THE REDUCED REAL WAGES OF LABOR HERE. THE CONTRAST BETWEEN THIS LINE AND A US POLICY OF EXCLUSION WOULD NOT GO UNNOTICED.

F. U.S. PRESENCE: WITH OVER 500 FIRMS AND AN ESTIMATE STAKE OF \$500 MILLION, THE US BUSINESS PRESENCE IS LARGE IN HONG KONG. WHILE I AM NOT PERSUADED THAT IT IS, IN ANY REAL SENSE, A HOSTAGE, IT COULD FIND LIFE BECOMING RATHER DIFFICULT IF HONG KONG IS EXCLUDED. THIS COMMUNITY IS WELL ORGANIZED, WITH AN ACTIVE AMCHAM, AND IS QUITE VOCAL. I CAN ANTICIPATE A PUBLIC RELATIONS NIGHTMARE FOR ME AND MY STAFF AND ONE WHICH I WOULD CONFIDENTIAL

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PARTICULARLY LIKE TO AVOID AS WE PLUNGE INTO THE 1975 FORTNIGHT WITH THE AMCHAM.
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